

**City of Lansing,  
Building Authority**

**Financial Statements  
June 30, 2004**

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input checked="" type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>City of Lansing Building Authority</b>	County <b>Ingham</b>
Audit Date <b>6/30/04</b>	Opinion Date <b>11/19/04</b>	Date Accountant Report Submitted to State: <b>2/14/05</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- |   |   |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

**We have enclosed the following:**

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <b>PricewaterhouseCoopers LLP</b>			
Street Address <b>400 Renaissance Center</b>	City <b>Detroit</b>	State <b>MI</b>	ZIP <b>48243-1507</b>
Accountant Signature		Date <b>2/14/05</b>	

**City of Lansing, Building Authority**  
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**June 30, 2004**

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**Report of Independent Auditors**

To the Building Authority Commission  
City of Lansing Building Authority  
Lansing, Michigan

In our opinion, the accompanying statement of net assets and the related statement of activities and cash flows of the Proprietary Fund type, present fairly, in all material respects, the financial position of the City of Lansing, Michigan, Building Authority (the "Authority") at June 30, 2004, and the results of its operations and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Authority's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audit of these statements in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits, contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In accordance with Government Auditing Standards, we have also issued our report dated November 19, 2004 on our consideration of the City of Lansing's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of our audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis (MD&A), on pages two to five are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*PricewaterhouseCoopers LLP*

November 19, 2004

## **Management's Discussion and Analysis**

# **City of Lansing, Building Authority Management's Discussion and Analysis Year Ended June 30, 2004**

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As management of the Lansing Building Authority, we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2004. We encourage readers to consider the information presented here in conjunction with Authority's basic financial statements, taken as a whole.

## **Using the Annual Financial Report**

This annual report consists of financial statements prepared in accordance with generally accepted accounting principles as presented by the Government Accounting Standards Board ("GASB"). The Authority adopted the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as amended by GASB Statement No. 37, *Basic Financial Statements and Management's Discussion and Analysis – for State and Local Governments: Omnibus – an Amendment of GASB Statements No. 21 and No. 34* and GASB Statement No. 38, *Certain Financial Statement Note Disclosures* for the year ended June 30, 2002. GASB Statement No. 34 establishes standards for external financial reporting for state and local governments.

## **Financial Highlights**

The assets of the Authority exceeded its liabilities at the close of the year by \$3,652,357.

At year end, cash and cash equivalents totaled \$10,833,781, a net increase of \$10,010,223 from the previous year.

The Authority's total general obligation bonded debt increased by \$19,924,998. The increase in bonded debt is attributed to the total current year amortization of bond discount of \$1,884,709, of which the 1990 capital appreciation bonds amortization is \$1,853,477, and to a \$19,000,000 new bond issue for construction of a parking ramp. The Authority received a \$4,179,650 loan from the Michigan Economic Development Corporation ("MEDC") to go towards construction of the parking ramp.

## **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements are comprised of three components: (a) government-wide financial statements, (b) fund financial statements, and (c) notes to the financial statements. This report also contains the Management's discussion and analysis, which are not a required part of the basic financial statements, but are supplementary information.

## **Government-Wide Financial Statements**

The government-wide financial statements provide a perspective of the Authority as a whole. These statements use the full accrual basis of accounting similar to private sector companies. There are two government-wide statements: the Statement of Net Assets and the Statement of Activities.

The Statement of Net Assets combines and consolidates governmental funds' current financial resources (short-term spendable resources) with capital assets and long-term obligations, regardless if they are currently available or not.

The Statement of Activities presents information showing how the Authority's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying events giving rise to the change occur, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes).

**City of Lansing, Building Authority  
Management's Discussion and Analysis  
Year Ended June 30, 2004**

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**Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Authority can be divided into two categories: governmental funds and proprietary funds.

***Governmental Funds***

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

The Authority maintains one governmental fund. This is a debt service fund for the financing of the firing range. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance.

***Proprietary Funds***

The Authority maintains one proprietary fund. Proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Authority uses an enterprise fund to account for the financing of golf and parking improvements. Proprietary funds provide information on the same basis as the government-wide statements.

**City of Lansing, Building Authority**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2004**

	2004	2003
<b>Condensed Statement of Net Assets</b>		
<b>Assets</b>		
Current	\$ 12,588,925	\$ 2,436,876
Capital	60,228,566	44,043,577
Long-term	453,131	263,771
Total assets	<u>\$ 73,270,622</u>	<u>\$ 46,744,224</u>
<b>Liabilities</b>		
Current	\$ 3,370,766	\$ 1,300,055
Long-term	66,247,499	42,187,852
Total liabilities	<u>\$ 69,618,265</u>	<u>\$ 43,487,907</u>
<b>Net Assets</b>		
Invested in capital assets, net of related debt	\$ (5,180,625)	\$ 2,502,010
Unrestricted	8,832,982	754,307
Total net assets	<u>\$ 3,652,357</u>	<u>\$ 3,256,317</u>
<b>Condensed Statements of Activities</b>		
Program revenues by major source		
Earned finance charges	\$ 3,894,188	\$ 2,650,930
Interest	109,224	10,481
Other	3,125	-
Total revenues	<u>4,006,537</u>	<u>2,661,411</u>
Program expenses by function		
Governmental activities		
Public safety	81,648	80,657
Business-type activities		
Parking	3,554,583	2,978,845
Golf	55,914	58,290
Total expenses	<u>3,692,145</u>	<u>3,117,792</u>
Excess (deficiency) before transfers	<u>314,392</u>	<u>(456,381)</u>
Transfers	<u>81,648</u>	<u>80,657</u>
Changes in net assets	<u>396,040</u>	<u>(375,724)</u>
Beginning net assets	<u>3,256,317</u>	<u>3,632,041</u>
Ending net assets	<u>\$ 3,652,357</u>	<u>\$ 3,256,317</u>

The Lansing Building Authority was established to issue debt and provide financing for several different capital projects. The Authority has entered into lease contracts with the City of Lansing, and its Tax Increment Finance Authority, to provide all funds necessary to pay for current and future debt service. The \$(5,180,625) invested in capital assets, net of related debt represents the difference between the capital assets (outstanding principal on leases between the City and the Authority and bond issue costs) and the related outstanding principal on the general obligation bonds and on the MEDC loan payable. This difference does not represent available resources and will be amortized throughout the life of the debt/lease.



**City of Lansing, Building Authority  
Management's Discussion and Analysis  
Year Ended June 30, 2004**

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**Fund Analysis**

The fund based statements include statements for enterprise funds that are identical to the government-wide statements for business-type activities. On the other hand, the governmental fund statements are presented using modified accrual accounting. The governmental fund statements illustrate with a fund balances of \$0, that future debt service requirements will utilize lease payments secured by the City of Lansing and budgeted within the City of Lansing's General fund.

**Financial Contact**

The Authority's financial statements are designed to present users with a general overview of the Authority's finances and to demonstrate the Authority's accountability. If you have questions about the report or need additional financial information, contact Chairperson, Lansing Building Authority, 124 W. Michigan Ave., Lansing, Michigan 48933.

## **Basic Financial Statements**

**City of Lansing, Building Authority**  
**Statement of Net Assets**  
**June 30, 2004**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Totals</b>
<b>Assets</b>			
Current assets			
Cash and cash equivalents	\$ -	\$ 10,833,781	\$ 10,833,781
Accounts receivable	-	41	41
Accrued interest receivable	7,027	342,899	349,926
Current portion of net investment in direct financing lease	90,000	1,315,177	1,405,177
Total current assets	97,027	12,491,898	12,588,925
Net investment in direct financing lease, net of current portion	1,685,000	58,543,566	60,228,566
Bond issue costs	-	453,131	453,131
Total assets	<u>\$ 1,782,027</u>	<u>\$ 71,488,595</u>	<u>\$ 73,270,622</u>
<b>Liabilities</b>			
Current liabilities			
Accounts payable	\$ -	\$ 935,343	\$ 935,343
Accrued interest payable	7,027	174,170	181,197
Current portion of long-term debt	90,000	930,000	1,020,000
Due to other funds	-	1,234,226	1,234,226
Total current liabilities	97,027	3,273,739	3,370,766
Long-term debt, net of current portion	1,685,000	64,562,499	66,247,499
Total liabilities	<u>1,782,027</u>	<u>67,836,238</u>	<u>69,618,265</u>
<b>Net assets</b>			
Invested in capital assets, net of related debt	-	(5,180,625)	(5,180,625)
Unrestricted	-	8,832,982	8,832,982
Total net assets	<u>\$ -</u>	<u>\$ 3,652,357</u>	<u>\$ 3,652,357</u>

The accompanying notes are an integral part of these financial statements.

**City of Lansing, Building Authority**  
**Statement of Activities**  
**Year Ended June 30, 2004**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	
					Governmental Activities	Business-Type Activities
Public safety	\$ 81,648	\$ -	\$ -	\$ -	\$ (81,648)	\$ -
Total governmental activities	81,648	-	-	-	(81,648)	(81,648)
Business-type activities						
Parking	3,554,583	3,845,884	-	109,224	-	400,525
Golf	55,914	51,429	-	-	-	(4,485)
Total business-type activities	3,610,497	3,897,313	-	109,224	-	396,040
Total primary government	\$ 3,692,145	\$ 3,897,313	\$ -	\$ 109,224	\$ (81,648)	\$ 314,392
<b>General revenues</b>						
Transfers					\$ 81,648	\$ 81,648
Total general revenues and transfers					81,648	81,648
Change in net assets					-	396,040
Net assets - beginning					-	3,256,317
Net assets - ending					\$ -	\$ 3,652,357

The accompanying notes are an integral part of these financial statements.

**City of Lansing, Building Authority**  
**Balance Sheet – Governmental Fund Type**  
**June 30, 2004**

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	<b>Debt Service Fund</b>
<b>Assets</b>	
Cash and cash equivalents	\$ -
Total assets	-
<b>Liabilities and fund balances</b>	
Liabilities	
Deferred revenue	-
Total liabilities	-
<b>Fund balances</b>	
Reserved for debt service	-
Total fund balance	-
Total liabilities and fund balance	\$ -

The accompanying notes are an integral part of these financial statements.

**City of Lansing, Building Authority**  
**Reconciliation of the Balance Sheet –**  
**Governmental Fund Type to the Statement of Net Assets**  
**Year Ended June 30, 2004**

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Total fund balance for the governmental fund type	\$ -
Amounts reported for governmental activities in the Statement of Net Assets are different because	
Other long-term assets are not available to pay for current-period expenditures and, therefore, are not reported in the funds	1,782,027
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds	<u>(1,782,027)</u>
Net assets of governmental activities	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

**City of Lansing, Building Authority**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balances – Governmental Fund Type**  
**Year Ended June 30, 2004**

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	<b>Debt Service Fund</b>
<b>Expenditures</b>	
Principal	\$ 90,000
Interest	<u>88,675</u>
Total expenditures	178,675
Deficiency of revenues over expenditures	(178,675)
<b>Other financing sources</b>	
Operating transfer in	<u>178,675</u>
Excess of revenues and other financing sources over expenditures and other financing uses	-
<b>Fund balances</b>	
Beginning of year	<u>-</u>
End of year	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

**City of Lansing, Building Authority**  
**Reconciliation of the Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances - Governmental Fund Type to the**  
**Statement of Activities**  
**Year Ended June 30, 2004**

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Amounts reported for governmental activities in the statement of activities are different because

Net change in fund balances - total governmental funds	\$ -
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	(7,027)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.	90,000
Some revenues reported in the governmental funds relate to payments of principal on long-term receivable and are not reported in the statement of activities. This amount is the net effect of these differences.	(90,000)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>7,027</u>
Change in net assets of governmental activities	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.



**City of Lansing, Building Authority**  
**Statement of Cash Flows –**  
**Proprietary Fund Type**  
**Year Ended June 30, 2004**

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	<b>Enterprise Fund</b>
<b>Cash flows from noncapital financing activities, operating transfer to parking fund</b>	<u>\$ (417,000)</u>
<b>Cash flows from operating activities, cash received from fees</b>	<u>3,125</u>
<b>Cash flows from capital and related financing activities</b>	
Bond proceeds	19,000,000
Loan proceeds	4,179,650
Acquisition and construction of leased assets	(13,645,399)
Principal paid on revenue bonds	(885,000)
Interest paid on revenue bonds	<u>(1,034,809)</u>
Net cash used for capital and related financing activities	<u>7,614,442</u>
<b>Cash flows from investing activities</b>	
Interest from investments	102,678
Payments on leases receivable	1,043,355
Finance charges on leases receivable	<u>1,663,623</u>
Net cash used for investing activities	<u>2,809,656</u>
Net increase in cash and cash equivalents	10,010,223
<b>Cash and cash equivalents</b>	
Beginning of year	<u>823,558</u>
End of year	<u>\$ 10,833,781</u>

The accompanying notes are an integral part of these financial statements.

**City of Lansing, Building Authority**  
**Notes to Financial Statements**  
**June 30, 2004**

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**1. General**

The Authority was chartered as the City of Lansing Building Authority under the provisions of Act 31, Public Acts of Michigan, 1948. The Authority was formed for the purpose of providing financing for the construction of buildings, parking lots, recreational facilities, and stadiums and to acquire the necessary sites to go with such facilities.

The Authority is a component unit of the City of Lansing, Michigan, and for reporting purposes is combined with the City of Lansing Municipal Parking System Fund and the Golf Fund as enterprise, capital projects and debt service funds for governmental funds. The General Obligation debt is reported in the Statement of Net Assets in the City of Lansing's Comprehensive Annual Financial Report.

**2. Basis of Presentation and Significant Accounting Policies**

**Basis of Presentation**

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board ("GASB"). The Authority adopted the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as amended by GASB Statement No. 37, *Basic Financial Statements and Management's Discussion and Analysis – for State and Local Governments: Omnibus – an Amendment of GASB Statements No. 21 and No. 34* and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*. As a result, these adoptions, changes to the presentation of amounts in the Statement of Net Assets, Statement of Activities and Statement of Cash Flows have been made. These statements establish standards for external financial reporting for state and local governments and require that financial statements be presented on a consolidated basis to focus on the government as a whole, with resources classified for accounting and reporting purposes into three net asset categories according to externally imposed restrictions. Previously, financial statements focused on the accountability of individual fund groups rather than on the government as a whole.

The three net asset categories are as follows:

- **Invested in capital assets, net of related debt** consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvements of those assets.
- **Restricted net assets** result when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted net assets** consist of net assets which do not meet the definition of the two preceding categories. Unrestricted net assets often are designated, to indicate that management does not consider them to be available for general operations. Unrestricted net assets often have constraints on resources which are imposed by management, but can be removed or modified.

**City of Lansing, Building Authority**  
**Notes to Financial Statements**  
**June 30, 2004**

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**Basis of Accounting**

The financial statements have been prepared on the accrual basis of accounting. The Authority reports as a Business Type Activity, as defined by GASB Statement No. 34, Business Type Activities are those that are financed in whole or in part by fees charged to external parties for goods or services. In preparing the financial statements, the Authority has applied all Financial Accounting Standards Board statements and Interpretations issued after November 30, 1989, except those that conflict or contradict Governmental Accounting Standards Board pronouncements.

The following fund types are used by the Authority:

**Debt Service Fund** – This is used to account for the accumulation of resources for the payment of general obligation long-term debt.

**Enterprise Fund** – This fund is used to account for operations that provide services which are financed primarily by user charges, or activities where periodic measurement of income is appropriate for capital maintenance, public policy, management control or other purposes.

Enterprise funds are accounted for using the accrual basis of accounting. Their revenues are recognized when earned, and their expenses are recorded at the time liabilities are incurred. As allowed by Government Accounting Standards Board ("GASB") Statement Number 20, the Authority's Enterprise Fund follows all GASB pronouncements and Financial Accounting Standards Board Statements and Interpretations, Accounting Principal Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989, except those that conflict with a GASB pronouncement.

**Cash and Cash Equivalents**

All highly-liquid investments with an original maturity of three months or less when purchased are considered cash equivalents.

**Investments**

Investments consist of United States government securities and mutual funds which are stated at cost.

**Bond Issue Costs and Amortization**

Bond issue costs are being amortized over the term of the bonds using the effective-interest method.

**Capitalized Interest**

The Building Authority capitalizes qualifying net interest costs on the bonds issued for capital construction in accordance with Statement of Financial Accounting Standards ("SFAS") Nos. 34 and 62.

**Bond Discount and Amortization**

Discount relating to general obligation bonds is amortized over the term of the bonds using the straight-line and effective-interest methods. Utilization of the straight-line method does not differ materially from results obtained if the effective-interest method was used.

**City of Lansing, Building Authority**  
**Notes to Financial Statements**  
**June 30, 2004**

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**Long-Term Liabilities**

In the government-wide statements and proprietary fund financial statements, long-term debt and long-term liabilities are reported as liabilities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt service expenditures.

**3. Deposits and Investments**

**Deposits**

At June 30, 2004 the carrying amount and bank balances of the Authority's cash and time deposits was \$10,833,781, all of which were uninsured and uncollateralized.

**Investments**

State statutes authorize the Authority to invest its surplus funds in U.S. government and U. S. governmental agencies and instrumentalities in which principal and interest is fully guaranteed by the United States, commercial paper rated within the two highest classifications by two standard rating services, U. S. government or federal agency obligation repurchase agreements, bankers' acceptances of United States banks and in mutual funds composed of vehicles legal for direct investment.

**City of Lansing, Building Authority**  
**Notes to Financial Statements**  
**June 30, 2004**

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**4. Long-Term Debt**

Long-term debt payable at June 30, 2004 consists of the following:

**General Obligation Bonds**

\$2,175,000 - 1998 Limited Tax Bond-Building Authority, due in annual installments of \$90,000 to \$160,000 through June 1, 2018, interest rates ranging from 4.5% to 5.0% (this issue is being serviced-principal and interest-by the Building Authority Debt Service Fund)	\$ 1,775,000
\$800,000 - 1986 Limited Tax Bond-Building Authority, due in annual installments of \$65,000 to \$70,000 through June 1, 2006, interest at a rate of 6.70% to 6.75% (this issue is secured by an extension of the North Grand parking garage and pedestrian walkway)	135,000
\$64,635,000 - 1990 Limited Tax Bond-Building Authority, due in annual installments of \$4,140,000 to \$4,145,000 through June 1, 2015, interest at rates ranging from 7.30% to 7.45%, (this issue is being serviced-principal and interest-by the Municipal Parking System Fund and is secured by the assets of the Parking System)	41,410,000
\$25,100,000 - 1995 Limited Tax Bond-Building Authority, due in annual installments of \$715,000 to \$1,595,000 through June 1, 2019, interest at rates ranging from 5.2% to 5.8%, (this issue is being serviced-principal and interest-by the Municipal Parking System Fund and is secured by the assets of the Parking System)	16,745,000
\$1,300,000 - 1996 Limited Tax Bond-Building Authority, due in annual installments of \$50,000 to \$105,000 through October 1, 2016, interest rates ranging from 4.8% to 5.7%, (this issue is being serviced-principal and interest - by the Golf Fund)	1,000,000
\$10,340,000 - 2003 Limited Tax Bond "A" - Building Authority, due in annual installments of \$155,000 to \$725,000 through June 1, 2029, interest at rates ranging from 2.25% to 5.00%, (this issue is being serviced-principal and interest-by the municipal Parking System Fund).	10,340,000
\$8,660,000 - 2003 Limited Tax Bond "B" - Building Authority, due in annual installments of \$200,000 to \$640,000 through June 1, 2029, interest at rates ranging from 2.90% to 6.25%, (this issue is being serviced-principal and interest-by the municipal Parking System Fund).	8,660,000
Total general obligation bonds	<u>80,065,000</u>

**Loan**

\$4,179,650 - 2003 Michigan Economic Development Corporation Loan, due in annual installments of \$239,472 beginning June 30, 2007 through June 30, 2036, interest rate 4%, (this issue is being serviced - principal and interest - by the Municipal Parking System Fund).	4,179,650
Total long-term debt	<u>84,244,650</u>
Less	
Unamortized discount	(15,211,521)
Deferred loss on extinguishment of debt	<u>(1,765,629)</u>
Total net long-term debt	<u>\$67,267,500</u>

**City of Lansing, Building Authority**  
**Notes to Financial Statements**  
**June 30, 2004**

Future requirements to service the long-term debt for the Building Authority as of June 30, 2004 including interest payments of \$29,052,443, amortization of discount (including discount on zero-coupon bonds) of \$15,211,521 and amortization of loss on extinguishment of debt of \$1,765,629 are as follows:

Year Ending June 30	General Obligation		MEDC Loan	
	Principal	Interest	Principal	Interest
2005	\$ 1,020,000	\$ 2,064,940	\$ -	\$ -
2006	5,465,000	2,011,575	-	-
2007	5,540,000	1,952,032	239,472	-
2008	5,630,000	1,887,012	71,224	168,248
2009	5,725,000	1,815,675	74,265	165,206
2010-2014	30,035,000	7,757,244	421,690	775,668
2015-2019	15,830,000	4,968,630	519,746	677,612
2020-2024	4,680,000	2,526,750	640,603	556,754
2025-2029	6,140,000	1,064,088	789,563	407,794
2030-2034	-	-	973,162	224,196
2035-2036	-	-	449,924	29,019
	<u>\$ 80,065,000</u>	<u>\$ 26,047,946</u>	<u>\$ 4,179,649</u>	<u>\$ 3,004,497</u>

**5. Advance Refunding of Bonds**

In prior years, the Building Authority defeased certain revenue bonds by placing the proceeds of new bonds in an irrevocable trust to provide for future payments on such bonds. Accordingly, the trust account assets and liability for the defeased bonds are not included in the Building Authority's financial statements. At June 30, 2004, \$6,855,000 of bonds outstanding are considered defeased.

**6. Net Investment in Direct Financing Lease**

The Building Authority leases two parking ramps to the City of Lansing. The Authority has also entered into lease agreements with the City of Lansing for parking facilities, golf course renovations, and a firearms training range. The long-term direct financing leases have been treated as sales by the Building Authority.

Annual lease payments by the City of Lansing commenced November 20, 1985, and continue until the year 2029, when sufficient payments will have been made to pay the principal and interest on the bonds outstanding.

Following are the components of the net investment in direct financing leases:

	Governmental	Business-Type
Total minimum lease payments to be received	\$ 2,483,075	\$ 103,629,867
Less: Unearned finance charges	(708,075)	(40,034,734)
Less: Lease commitments for future construction	-	(3,736,390)
Net investment in direct financing leases	<u>\$ 1,775,000</u>	<u>\$ 59,858,743</u>

**City of Lansing, Building Authority**  
**Notes to Financial Statements**  
**June 30, 2004**

Lease commitments for future construction represent lease payments to be received by the Building Authority from the City of Lansing to meet debt service requirements for bonds issued to construct parking facilities golf course improvements and a firearms training range. These amounts have not been earned as of June 30, 2004.

Future minimum lease payments to be received are as follows:

	<b>Governmental</b>	<b>Business-Type</b>
2005	\$ 174,325	\$ 2,910,614
2006	175,275	7,301,299
2007	176,000	7,316,032
2008	176,500	7,340,512
2009	181,775	7,358,899
Later years	1,599,200	71,402,511
	<u>\$ 2,483,075</u>	<u>\$ 103,629,867</u>

**7. Interfund Balances and Transfers**

Transfers in and out for the year ended June 30, 2004 were:

	<b>Transfers In</b>	<b>Transfers Out</b>
<b>Debt Service Fund</b>		
Funds outside the reporting entity	\$ 178,675	\$ -
<b>Enterprise Fund</b>		
Funds outside the reporting entity	-	417,000